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CERTIFIED PUBLIC ACCOUNTANTS

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Kentucky State Committee for School District Audits
Members of the Board of Education of
Madison County School District
Richmond, Kentucky

In planning and performing our audit of the basic financial statements of Madison County School District for the year ended June 30, 2017, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated September 25, 2017, contains our report on the District's internal control. This letter does not affect our report dated September 25, 2017, on the financial statements of the Madison County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of management, the members of the Madison County Board of Education, others within the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads 'Stiles, Carter & Associates'.

Certified Public Accountants
Elizabethtown, Kentucky
September 25, 2017

MADISON COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2017

PRIOR YEAR UNCORRECTED COMMENTS

MADISON CENTRAL HIGH SCHOOL

INVENTORY CONTROL WORKSHEETS

We noted that the Inventory Control Worksheets (F-SA-5) that were completed for the 2016-2017 concession sales were not completed on a monthly basis. Redbook requires that Inventory Control Worksheets recap the flow of inventory monthly.

MANAGEMENT RESPONSE

The school bookkeeper will be training all parties on concession sales and the inventory control worksheet.

BOOSTER CLUBS

We noted during review of booster clubs that the Girls' Golf booster club did not have a FEIN on file for school year 2016-2017. Redbook requires each booster club to submit the FEIN to the principal at the beginning of the school year or within thirty days of the first transaction of the organization.

We noted during review of booster clubs that the Band booster club did not have a list of officers, a properly completed annual financial report, a FEIN or an insurance policy on file for school year 2016-2017. The annual financial report on file was for school year 2015-2016. Redbook requires each booster club to submit the FEIN and the names of the organization's officers to the principal at the beginning of the school year or within thirty days of the first transaction of the organization. Redbook also requires each booster club to submit an annual financial report for the fiscal year ending June 30 to the principal by July 15. Redbook also requires each booster club to obtain separate general liability insurance coverage.

MANAGEMENT RESPONSE

The school bookkeeper provided the athletic director with a checklist detailing the required documentation needed from all booster organizations. The list will be delivered to all groups by the athletic director. In addition, the bookkeeper provided the band director with the same checklist to provide to the band booster group.

CURRENT YEAR COMMENTS

KIRKSVILLE ELEMENTARY SCHOOL

CASH ADVANCE

We noted that a cash advance was given to the archery coach on 05/11/2017 for \$300. SCA noted that the cash that was not used was not returned until 5/23/2017, which is more than one business day after the trip ended. Redbook requires unused cash advances to be returned within one business day after the trip has ended.

We noted that a cash advance was given to the archery coach on 03/29/2017 for \$300. SCA noted that the cash that was not used was not returned until 04/13/2017, which is more than one business day after the trip ended. Redbook requires unused cash advances to be returned within one business day after the trip has ended.

MANAGEMENT RESPONSE

The school is in the process of hiring a new school bookkeeper. The Chief Finance Officer will train the new bookkeeper on Redbook issues and address the noted findings.

WHITE HALL ELEMENTARY SCHOOL

SEGREGATION OF DUTIES

Upon review of the Internal Control Questionnaire completed by the school's bookkeeper, the bookkeeper performs the following duties: approves invoices, enters invoices into the accounting system, and prints checks. Redbook requires that one individual approve invoices and a different individual enter invoices into the accounting system and print checks.

MANAGEMENT RESPONSE

The school bookkeeper and the Chief Finance Officer have discussed the Madison County Schools Segregation of Duties List. The bookkeeper will institute any necessary changes immediately.

CLARK-MOORES MIDDLE SCHOOL

INVENTORY CONTROL

We noted during review of the pencil store inventory that Inventory Control Worksheet (F-SA-5) was not properly completed on a monthly basis. One Inventory Control Worksheet (F-SA-5) was for December 1, 2016 through March 1, 2017. Redbook requires Inventory Control Worksheets (F-SA-5) to be completed on a monthly basis either until the end of the fiscal year or until there is zero ending inventory.

MANAGEMENT RESPONSE The school bookkeeper will ensure that the sponsor completes monthly inventory control worksheets (F-SA-5).

CASH ADVANCES

We noted that check #11261, dated 03/03/2017, in the amount of \$200.00 was for a cash advance for the Academic Team meet. Per the Purchase Order Form (F-SA-7) for the advance, the trip was for 03/10/2017-03/13/2017. The related receipts and supporting documentation reflected that \$15.89 should have been returned, however \$43.09 was returned and deposited back into the Academic Team Fund on 03/29/2017. There was a Multiple Receipt Form (F-SA-6) remitted for the change deposit and no Expense Report on file. Redbook requires that cash advances be supported by the Expense Report (F-SA- 9) and that the form, related receipts, other support documentation, and unused cash be returned by the close of the next business day after the trip.

MANAGEMENT RESPONSE

The school bookkeeper will train sponsors on completing F-SA-9 forms. The school does not intend to issue any further cash advances.

CLARK-MOORES MIDDLE SCHOOL – CONTINUED

CASH ADVANCES

We noted that check #11279, dated 03/16/2017, in the amount of \$2,620.00 was for a cash advance for the Atlanta Field Trip. We noted that there was no Expense Report (F-SA-9) on file for the advance and zero change was returned. However, per the receipts and supporting documentation there should have been \$62.78 returned to the Atlanta Field Trip Fund. Redbook requires that cash advances be supported by the Expense Report (F-SA- 9) and that the form, related receipts, other support documentation, and unused cash be returned by the close of the next business day after the trip.

MANAGEMENT RESPONSE

The school bookkeeper will train sponsors on completing F-SA-9 forms. The school does not intend to issue any further cash advances.

FARRISTOWN MIDDLE SCHOOL

TICKET SALES

We noted during review of ticket sales that the Requisition and Report of Ticket Sales form (form F-SA-1) that was submitted for the basketball game held on 10/03/2016 that the same individual that initialed in columns C and E as being the ticket seller also signed off as being the ticket taker for the event. Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE

The school bookkeeper and the Chief Finance Officer have discussed the issue. The bookkeeper has color coded/labeled the areas to be signed/initialed for ticket sales. Forms will be reviewed when submitted the next day to the bookkeeper.

MADISON CENTRAL HIGH SCHOOL

TICKET SALES

We noted during review of ticket sales that the Requisition and Report of Ticket Sales form (form F-SA-1) that was submitted for the boys' basketball games held on 12/10/2016 and 01/09/2017 had the same individual initial in columns C and E as being the ticket seller also sign off as being the ticket taker for the event. Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE

The school does practice segregation of duties in regards to ticket sales. The school bookkeeper will reiterate how to properly complete the ticket sales form.

MADISON SOUTHERN HIGH SCHOOL

TRAVEL REIMBURSEMENTS

We noted during review of travel reimbursements that check #32230 was issued on 11/17/2016 for reimbursement of flight tickets. There was not an applicable Travel Voucher Form (F-SA-16) completed for the transaction. Redbook requires travel reimbursements to be made with submission of a Travel Voucher Form (F-SA-16) approved by the principal. Redbook requires the form to be submitted within one week of the travel.

We noted during review of travel reimbursements that check #32355 was issued on 01/13/2017 for reimbursement of flight tickets. There was not an applicable Travel Voucher Form (F-SA-16) completed for the transaction. Redbook requires travel reimbursements to be made with submission of a Travel Voucher Form (F-SA-16) approved by the principal. Redbook requires the form to be submitted within one week of the travel.

MANAGEMENT RESPONSE

The school bookkeeper and the Chief Finance Officer have discussed the requirements of travel reimbursements. The bookkeeper will ensure all travel reimbursements are properly documented, along with proper approvals, on the required Redbook forms.